

FEDERAL DEPOSIT INSURANCE—PUERTO RICO

JUNE 30 (legislative day, JUNE 27), 1952.—Ordered to be printed

Mr. FREAR, from the Committee on Banking and Currency, submitted the following

REPORT

[To accompany H. R. 5120]

The Committee on Banking and Currency, to whom was referred the bill (H. R. 5120) to amend the Federal Deposit Insurance Act so as to require the insurance of deposits payable at branches of insured banks in Puerto Rico, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

GENERAL STATEMENT

Under the Federal Deposit Insurance Act an insured bank which has its principal place of business in the States of the United States or the District of Columbia can exclude from deposit insurance any of its deposit obligations payable only at a branch or branches which it maintains in Puerto Rico.

There are seven local insured banks in Puerto Rico. The National City Bank of New York maintains seven branches in Puerto Rico and the Chase National Bank of New York, two branches. The combined deposits of the latter two institutions as of December 31, 1951, totaled \$92,720,392. The following table shows the estimated amount insuring their deposits would entail:

Estimated effect of H. R. 5120 on assessments to be paid by insured mainland banks with branches in Puerto Rico

Name of bank	Deposits as of Dec. 31, 1951, in Puerto Rico branches	Annual assessment on said deposits ¹	Less estimated annual assessment credit ²	Net additional assessment
The Chase National Bank of the City of New York.....	\$21,791,210	\$18,159.34	\$10,169.23	\$7,990.11
The National City Bank of New York.....	70,929,182	59,107.65	33,100.28	26,007.37
Total.....	92,720,392	77,266.99	43,269.51	33,997.48

¹ No allowance is made for eligible deductions. It is estimated that eligible deductions would amount to approximately 10 percent of deposits in these branches.

² The rate of assessment credit used is 56 percent, which is the actual rate for the calendar years 1950 and 1951.

Your committee requested the view of the two institutions affected by this bill and also the opinion of the American Bankers Association. The American Bankers Association declined to take any position on the matter because they felt they should not interpose in a matter that affects only these two institutions. The National City Bank of New York expressed opposition to the enactment of the bill because of the expense involved and also on the grounds that deposit insurance for their branches in Puerto Rico is not necessary due to the financial strength of the institution.

The Banking Act of 1935, which provided the election by which banks of the United States with branches in any Territory of the United States, Puerto Rico, or the Virgin Islands could insure or not insure deposits in such branches as they saw fit, was adopted because it was argued that if branches of State banks were insured they would have an unfair competitive advantage over the local uninsured banks. This situation has greatly changed in respect to Puerto Rico, with most local Puerto Rican banks now being members of the FDIC. It therefore follows that the election provision, as far as Puerto Rico is concerned, is no longer needed and all branch banks of banks with main offices in the States of the United States should be required to furnish deposit insurance in the same manner as they are required to furnish deposit insurance on deposits in branches in the United States.

The Honorable A. Fernós-Isern, Resident Commissioner of Puerto Rico, strongly recommended to your committee that this bill be approved. The Federal Deposit Insurance Corporation also recommended its enactment.

CHANGES IN EXISTING LAW IN COMPLIANCE WITH THE CORDON RULE

In compliance with subsection (4) of the rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

FEDERAL DEPOSIT INSURANCE CORPORATION ACT

SEC. 3 As used in this Act—

(1) The term "deposit" means the unpaid balance of money or its equivalent received by a bank in the usual course of business and for which it has given or is obligated to give credit to a commercial, checking, savings, time, or thrift account, or which is evidenced by its certificate of deposit, and trust funds held by such bank whether retained or deposited in any department of such bank or deposited in another bank, together with such other obligations of a bank as the Board of Directors shall find and shall prescribe by its regulations to be deposit liabilities by general usage: *Provided*, That any obligation of a bank which is payable only at an office of the bank located outside the States of the United States, the District of Columbia, any Territory of the United States, Puerto Rico, and the Virgin Islands, shall not be a deposit for any of the purposes of this Act or be included as a part of total deposits or of an insured deposit: *Provided further*, That any insured bank having its principal place of business in any of the States of the United States or in the District of Columbia which maintains a branch in any Territory of the United States, [Puerto Rico,] or the Virgin Islands may elect to exclude from insurance under this Act its deposit obligations which are payable only at such branch, and upon so electing the insured bank with respect to such branch shall comply with the provisions of this Act applicable to the termination of insurance by nonmember banks: *Provided further*, That the bank may elect to restore the insurance to such deposits at any time its capital stock is unimpaired.